

Impact of Goods and Services Tax on Indian Economy

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ABSTRACT

The Goods and Services Tax, also known as GST (Goods and Service Tax), came into force in India on 01 July 2017. Now there is a free flow of goods in the country and the concern of tax rates of businessmen have ended. The Goods and Services Tax rate in India is the highest at 28 percent, which frustrates businessmen. GST replaced very complex and many indirect taxes such as production duty, sales tax, entry tax, VAT etc. The objective of the Government of India to implement this was to encourage development by adopting the system of "one nation, one tax, one market" by exempting the country from the different tax rates of different states. Goods and services have become expensive with GST. But it will have to wait for its positive and negative results, and see which side is to turn. Finally, how does the Goods and Services Tax affect consumers?

KEYWORDS: Gross Domestic Product, Indirect Taxes, Goods and Services Tax, Indian Economy

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INTRODUCTION

The largest democracy in the world, India is a union of states, and since 1947 politically we are a nation, but are we an economic union? Could a trader from Madhya Pradesh sell his goods to a Tamil Nadu trader without worrying about tax rates? No, consider this arrangement yourself. Before 01 July 2017, a resident of Himachal Pradesh preferred to go to Punjab to buy a car and the Man of Punjab preferred the neighboring state of Haryana, the only reason was the then tax system.

India made historic tax reforms 26 years after opening the doors of its economy to the world. After 17 years of intense discussion, the most important tax reforms in Indian tax history were "Goods and Services Tax" GST. Implemented across India including Jammu and Kashmir on 01 July 2017

The journey of this reform started in the year 2000 under the late Prime Minister Atal Bihari Vajpayee government, when the government introduced GST. There was talk of setting up a committee to suggest the model. Later in the year 2003, a task force was formed under the chairmanship of Vijay Kelkar. From then on, this idea got a chance to grow progressively. As a result of the efforts of the Central Government in this regard for the last three years, 01 July 2017, "Goods and Services Tax" became part of the Indian tax structure.

When the Government of India implemented Goods and Services Tax in the country on July 01, 2017, nearly 150 countries of the world had implemented Goods and Services Tax in their country. Most of these countries are in Europe (53), Africa (44) and Asia (19). The Government of India not only studied them before implementing the Goods and Services Tax but also tested its effects. Due to the differences

In the population and conditions of India, the initial difficulties had to be two - four, but now the train is on track;

Objective of Research:-

1. To get information about the future impact of Goods and Services Tax.
2. To get information about the effect of Goods and Services Tax.
3. Understanding Goods and Services Tax.

Research Method:-

Reliable secondary sources have been used in the research paper in the subject of Goods and Services Tax. Research papers published on the Internet have been taken the help of news and articles published in newspapers, annual, monthly and magazine journals.

Determining and examining research hypotheses is not possible in the present scenario, as the Goods and Services Tax (GST) has come into force, is now around three years and ten months. And at the same time the whole world has been obsessed with the epidemic like corona for more than one year and at the same time it has undergone extreme changes. Therefore, the determination and testing of hypotheses has not been done in the research paper presented.

Literature Review:-

Shefali Dani (2016)¹ has told in his research paper Impact of Goods and Service Tax (GST) on Indian Economy that the preparations of the government before implementing the Goods and Services Tax have been half incomplete. The poor are uneducated and do not understand the Internet, there may be an adverse effect on the economy in implementing it.

It would also be beneficial for the government to study the impact of the Goods and Services Tax on the economy of those 150 countries before implementing GST in the country.

Dash (2017)² has stated in his research paper Positive and Negative Impact of GST on Indian Economy that so far, in about 145 countries, due to variation in population and conditions, GST has definitely suffered from initial difficulties. But now the train is on track. Research objectives have been done including some popular countries such as Australia, Canada, Germany, and Japan. The impact of Goods and Services Tax on each country in both ways positive and negative. Positive aspects should be kept in mind in the work of improving the economy of the country and it will be in the interest of the country to leave the negative aspects. We should not hurry to measure the impact of GST in the country. Right now the government needs to give more time. Implementation of GST along with demonetization of the work done by the government to curb black money is an unprecedented effort.

Namita Mishra (2018)³ in her research paper Impact of GST on Indian Economy has said that the single tax system Goods and Services Tax will encourage new businesses and small new entrepreneurs. With the Goods and Services Tax, the complexity of different tax rates of different states within the country has also ended, which is having a direct impact on the consumer. Consumers are getting goods at low prices. Consumption will increase due to decrease in the price of goods and GDP of the country and states. Will increase GDP. With this, foreign investment will increase in the country and indirectly new employment opportunities will be created, which will also balance the balance of payments of the country.

Indirect Tax Contained in GST:-

1. Central Government Taxes

- Additional Excise Duties (Items of Special Importance)
- Additional Excise Duty (Textile and Textile Products)
- Additional Tailor (CBD)
- Central Excise
- Central Sales Tax
- Excise (Medicinal and Cosmetic Ingredients)
- Special Additional Tailor (CAD)
- Service Tax
- Other Central Surcharge and Cess

2. State Government Taxes

- Advertisement Tax
- Enter Tax
- Entertainment Tax (not when collected by local bodies)
- Luxury Tax
- Purchase Tax
- Surcharge and Cess imposed by other state government
- Taxes related to lottery, betting and gambling
- VAT or Sales Tax

What changed with GST? :-

With the new goods and services tax, 17 central and state taxes are included in 22 types of Cess, which has eliminated the complexity of taxes. This has made the indirect tax system simpler. There were 97 types of returns in the price and increase tax (VAT) of various states which had to be shelved with 28 details and 317 contracts to fill. Similarly, a return had to be submitted along with the 13 Returns Form for Central Excise. Even there were 12 types of Invoices. Therefore, instead of all these, 12 forms will have to be filled

in the entire country with only one Invoice. GST has not only made it easier to pay taxes and pay the returns.

Types of GST:-

There are four types of GST

- Union Territory Goods & Service Tax
- IGST Integrated Goods & Service Tax
- SGST State Goods and Service Tax
- CGST Center Goods and Service Tax

Benefits of Goods and Services Tax:-

- Transparent tax system.
- Increase in revenue.
- Double monitoring of State and Center.
- Increase in demand and consumption of goods.
- The same price for all consumers.
- Free flow of goods and services throughout the country.

Loss of Goods and Services Tax:-

- It will take time to understand and get used to the new tax system.
- Efficient accountants will be required.
- The Goods and Services Tax came into force in the middle of the financial year leading to an increase in business operating expenses.
- India has the highest tax rates in the world at 28 percent.
- Purchasing the technical software digital signature of goods and services tax will increase the business cost.
- Goods and Services Tax will be a mixed bag for consumers as the price of some items will be lower and the price of some items will increase.

Effect of Goods and Services Tax:-

Goods and services tax has been impacted equally on consumers, producers, service providers, service recipients, state government, central government students, traders, authorized sellers, MSMEs, start ups, online sellers. But here only the effect on the end consumer is presented.

- Household goods: The tax rate on most items of daily use is 5 percent, which has reduced inflation and made life easier for the common man. About 55 percent of items in household goods are exempt from tax. There is a fairly low rate on 32 percent of items and a standard tax rate on only 12 percent of items.
- Banking and Financial Services Sector: In India, service tax was payable at the rate of 14.5 percent on most banking and financial services, but now the rate of tax in goods and services tax is 18 percent. Therefore, it can be said that services of banking and financial services sector have become expensive due to Goods and Services Tax.
- Education sector: Education is the foundation for nation building, now education is the fundamental right of every child with the right to education law, this fundamental right of children has been taken care of in the Goods and Services Tax and any goods and services on education till higher secondary school Tax is not payable but Goods and Services Tax is payable on higher education at the standard rate of 18 percent. Earlier services provided by schools and colleges were either not taxed or they came under negative list.
- Rail fare: Goods and services tax has not had much impact in terms of rail fare, as the tax rate in GST is 5 percent, which was 4.5 percent in the past. The

merchant class will benefit from GST. They can take input credit of GST payable on non-voyages.

- Life insurance premium: The service tax rate on life insurance premium was 15 percent and the rate of goods and services tax is 18 percent, which is 3 percent higher than the pre-tax rate.

Conclusion:-

Goods and services tax will reduce corruption, it will be easier to do business in India and India will improve in the 'Ease in doing business' ranking and World Bank report. Trade will increase with the free flow of goods and traders will sleep peacefully. The Goods and Services Tax is said to be the biggest tax reform of independent India and there are many reasons to expect that its far-reaching effects will be positive on the Indian economy. Goods and services tax, if viewed from a broader perspective, can also be called a wall to protect against commercial change, social revival, revival in accelerating economic growth and global relief. But the Goods and Services Tax can also be called the second biggest attack on tax evaders.

Reduced the tax burden of the lower and middle class with the Goods and Services Tax Although the tax rates are higher than the applicable Goods and Services Tax all over the world, but the items on which the tax rates are higher are all luxury items. Tax rates in the service sector have increased

compared to the earlier service tax, yet the consumer class has not opposed the goods and services tax. Only the business class is afraid of parsimony and low earnings. But still for good and bad results of the Goods and Services Tax, one has to wait more and at the same time keep in mind that good and evil go hand in hand. Accepting that is the only option.

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